

Notice of Proposed Rulemaking and Notice of Public Hearing

Qualified Zone Academy Bonds; Obligations of States and Political Subdivisions

REG-105327-99

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

SUMMARY: The IRS is issuing temporary regulations providing guidance to holders and issuers of qualified zone academy bonds. These proposed regulations would change the method of ascertaining the qualified zone academy bond credit rate and would provide reimbursement rules. State and local governments that issue qualified zone academy bonds would be affected by these proposed regulations. The text of the temporary regulations, T.D. 8826 on page 107, also serves as the text of these proposed regulations. This document also provides a notice of public hearing on these proposed regulations.

DATES: Written and electronic comments must be received by September 28, 1999. Outlines of topics to be discussed at the public hearing scheduled for November 9, 1999, at 10 a.m. must be received by October 19, 1999.

ADDRESSES: Send Submissions to: CC:DOM:CORP:R (REG-105327-99), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (REG-105327-99), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may submit comments electronically via the Internet by selecting the "Tax Regs" option on the IRS Home Page, or by sub-

mitting comments directly to the IRS Internet site at http://www.irs.ustreas.gov/tax_regs/reglist.html. The public hearing will be held in the room 2615, Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Timothy L. Jones at 202-622-3980; concerning submissions of comments, the hearing and/or to be placed on the building access list to attend the hearing, Michael Slaughter at 202-622-7190 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

Section 226(a) of the Taxpayer Relief Act of 1997, Public Law 105-34, 111 Stat. 788 (1997) amended the Internal Revenue Code by redesignating section 1397E as 1397F and adding a new section 1397E. Section 1397E authorizes a new type of debt instrument known as a qualified zone academy bond. Temporary Regulations (T.D. 8755, 1998-10 I.R.B. 21) interpreting section 1397E were published on January 7, 1998, 63 F.R. 671, as §1.1397E-1T.

Temporary regulations amending §1.1397E-1T are published in T.D. 8826 on page 107. Section 1.1397E-1T is amended by revising paragraphs (b) and (j), redesignating paragraph (h) as paragraph (i) and adding new paragraph (h). The text of the temporary regulations also serves as the text of these proposed regulations. An explanation of the regulations may be found in the preamble of the temporary regulations.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply. The Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply because these regulations do not impose a collection of information on small entities. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advo-

cacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written or electronic comments (a signed original and eight (8) copies, if written) that are submitted timely to the IRS. The IRS and Treasury specifically request comments on the clarity of the proposed regulations and how the regulations may be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for November 9, 1999, beginning at 10 a.m. in room 2615 of the Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors must enter at the 10th Street entrance, located between Constitution and Pennsylvania Avenues, NW. In addition, all visitors must present photo identification to enter the building. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 15 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit written comments by September 28, 1999, and submit an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by October 19, 1999. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Timothy L. Jones, Office of Assistant Chief Counsel (Financial Institutions & Products). However, other personnel

from IRS and the Treasury Department participated in their development.

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Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority 26 U.S.C. 7805 * * *

Par. 2. Section 1.1397E-1 as proposed to be added at 63 F.R. 708 is amended by:

1. Revising paragraphs (b) and (j);
2. Redesignating paragraph (h) as paragraph (i);
3. Adding new paragraph (h).

The revisions and addition read as follows:

§1.1397E-1 Qualified zone academy bonds.

[The text of proposed paragraphs (b), (h) and (j) is the same as the text of §1.1397E-1T(b), (h), and (j) published in T.D. 8826.]

Robert E. Wenzel,
*Deputy Commissioner of
Internal Revenue.*

(Filed by the Office of the Federal Register on June 30, 1999, 8:45 a.m., and published in the issue of the Federal Register for July 1, 1999, 64 F.R. 35579)